

BOARD OF COMMUNITY HEALTH
June 8, 2006

The Board of Community Health held its regularly scheduled meeting in the Floyd Room, 20th Floor, West Tower, Twin Towers Building, 200 Piedmont Avenue, Atlanta, Georgia. Board members attending were Jeff Anderson, Chairman (via phone); Richard Holmes, Vice Chairman; Mark Oshnock, Secretary; Mary Covington; Inman English, M.D.; Kim Gay (via phone); Robert A. Lipson, M.D.; and Ross Mason. Commissioner Rhonda Medows was also present. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments # 1 and # 2).

Mr. Holmes called the meeting to order at 12:07 p.m. He welcomed new board member Dr. Robert A. Lipson, CEO of the WellStar Health System. The Minutes of the May 11, 2006 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

Mr. Holmes called on Charemon Grant, General Counsel to give an update on the final adoption of the Volunteer Health Care Program rules and initial adoption of the proposed Certificate of Need Rules. Ms. Grant said the Volunteer Health Care Program allows providers to offer medical and dental care on an uncompensated basis and providers are afforded sovereign immunity, as are state employees and public officials. The rules were initially adopted February 9, 2006, public comment was held on March 29, 2006, and based on the public comments, the department made modifications. The Department presented the modified rules for initial adoption on April 11, a second public hearing held on May 23, the department received several comments and reviewed the comments and recommends no changes.

Ms. Grant continued with a review of Certificate of Need Rules Chapter 111-2-2-.06 & .10. She stated that the proposed changes are housekeeping changes. Changes are reflected in Section .02 modifying the number of copies that an applicant is required to submit and Section .10 modifies the location to which the applications must be submitted.

Mr. Mason MADE a MOTION to adopt Georgia Volunteer Health Care Program Rule 111-5-1 and to publish for public comment the Certificate of Need Rules 111-2-2-.06 and .10. Ms. Covington SECONDED the MOTION. Mr. Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Georgia Volunteer Health Care Program Rule 111-5-1 and Certificate of Need Rules 111-2-2-.06 and .10 are attached hereto and made official parts of the minutes as Attachments # 3 and 4 respectively).

Mr. Holmes called on Mark Trail, Chief, Medical Assistance Plans, to present the Dental Services Public Notice. Mr. Trail stated that the notice affords certain limited dental services to pregnant women in the Medicaid Program. Effective for dates of service on and after July 1, 2006, the Department is proposing to begin providing expanded dental benefits for pregnant women, which will include certain non-emergency services. The change is in accordance with House Bill 1027 which allotted for the expansion of dental services for pregnant women. The change is estimated to increase annual expenditures by approximately \$6,491,280 in total funds--\$2,500,000 in state funds. Mr. Mason MADE a MOTION to publish for public comment the Dental Services Public Notice. Ms. Covington SECONDED the MOTION. Mr. Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Dental Services Public Notice is attached hereto and made an official part of the minutes as Attachment # 5).

Mr. Holmes called on Carie Summers, Chief Financial Officer. Ms. Summers began review on the Upper Payment Limit Payments Public Notice. She said the board approved last fall the creation of an Upper Payment Limit Program for physicians, specifically for physicians affiliated with both a medical school as well as a public teaching facility. This public notice will expand this program effective with dates of service on or after August 1, 2006. The expansion of the program would allow the Department to make supplemental payments for services that are provided outside a hospital setting and limit the participation in the program to teaching facilities located in Metropolitan Statistical Areas. The public teaching facilities impacted would be Floyd Medical, Grady Memorial, Hughes Spalding, Medical Center of Central Georgia, Medical College of Georgia, Memorial Health University Medical Center, Phoebe Putney, Medical Center at Columbus, and University Medical Center. This expansion is anticipated to cost \$4.8 million in total funds on an annual basis. The state matching share is \$1.9 million and the plan for the source of the state matching funds is from either of three sources: Intergovernmental Transfers provided by the public teaching facilities; state appropriations made available by the Georgia Board for Physician Workforce; or future state appropriations specifically designated as a source of matching funds for physician UPL. Ms. Covington MADE a MOTION to publish for public comment the Upper Payment Limit Payments Public Notice. Mr. Oshnock SECONDED the MOTION. Mr. Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Upper Payment Limit Payments Public Notice is attached hereto and made an official part of the minutes as Attachment # 6).

Next, Ms. Summers began discussion on the FY 2007 Interim Rates for Medicaid/PeachCare for Kids Outpatient Hospital Program effective July 1, 2006. The department reimburses an interim rate to hospitals for most Medicaid covered services by applying cost-to-charge ratio (CCR) to submitted charges. Upon receipt of a hospital's audited cost report, the department determines the actual cost

for these Medicaid services. For critical access hospitals and state owned hospitals, final annual payments are equivalent to 100% of cost. For all other hospitals, final annual payments are equivalent to 85.6% of cost. The Department compares annual interim payments to final reimbursements, and settles with the hospital for the difference.

In projecting interim rates, the department must utilize the most recent information available to establish interim rates. The department's goal is to calculate a CCR ratio that will most closely result in interim payments being equal to final cost-based payments. It is the department's intent to avoid large payouts or paybacks when payments are settled in the future. This requires the Department to project what a future CCR will be based on available, historical data. The department first utilized a methodology that considered trends in CCR rates when setting interim rates for FY 2006.

The department evaluated the accuracy of applying a trend factor to estimate future CCRs by utilizing new data not previously available for FY 2006 interim rate setting. In July 2005, the department created trend factors by utilizing historic data from 1999 through 2003. The department now has access to 2004 data and has added it to the trend factor calculation to see if an additional point of actual data would significantly change the projection of FY 2006 interim dates. After applying 2004 data, the department learned that one-third of hospitals have been underpaid because the CCR with the new data suggests it should have been higher for FY 2006 than what was set; conversely, the department had set the CCR too high for two-thirds of the facilities and now when the additional point of data was put in, the CCR should be lower. This analysis suggests that for 150 hospitals, the department believes that the interim rate setting methodology overpaid hospitals by \$18 million. Ms. Summers said while that is a significant amount of money, compared to prior to years when the Department did not use a trend factor, it is much closer to where the Department wants to be keeping in mind the Department will cost settle for FY 2006 when FY 2006 cost reports come in in a few years. The department will apply a very similar methodology in setting interim rates for FY 2007.

Ms. Summers commented that a decrease in the CCR is not necessarily a reduction in payments; hospitals will still be paid the same percentage of actual costs in SFY 2007 as in SFY 2006 when cost settlement occurs; assuming that cost inflation occurs, the amount paid for an outpatient service is expected to increase; and the decrease in the CCR, in effect, recognizes that hospital charges increase at a higher rate than inflation. Dr. Lipson asked as it relates to the Medicaid budget, if DCH is reimbursing \$18 million more, knowing that the department will cost settle in future years, how does that affect the budget, and how do we account for that. Ms. Summers said budget appropriations are based on what we believe interim payments will be, taking into these projections changes in enrollment and utilization of services. Appropriations are reflective of what dollars we expect to pay out and then offset by what we expect to collect in a prior year period.

Ms. Summers gave an overview of the Nursing Home Services and Health Check Services Public Notice. For nursing home services provided on and after July 1, 2006 and subject to payment at fee for services rates, the changes in accordance with the FY 2007 Appropriations Act are: the 2005 cost report, using the reporting format and underlying instructions established by the Department, will be used to determine a facility's allowable cost that will be the basis for computing a rate; the growth allowance used to compute reimbursement rates will be 0.0%; and the cost of a facility's participation in the Quality Improvement Program will be considered in the payment methodology. These changes are expected to cost the state \$52 million in total funds or \$20 million in state funds.

Ms. Gay asked if the funds would begin July 1, 2006. Ms. Summers said the rates are effective for dates of service on or after July 1, but as with any reimbursement change, the Department must seek approval from the Centers for Medicare and Medicaid Services (CMS), which mean the Department must change its State Plan. After the public notice is approved, the Department will submit a State Plan Amendment. The Department will continue to pay claims at the current rate until the SPA is approved. Upon approval, the department will reprocess claims that have been incurred and paid. Ms. Covington MADE a MOTION to approve the Nursing Home Services Public Notice. Mr. Oshnock SECONDED the MOTION. Mr. Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED.

Ms. Summers continued with an overview of the Health Check Services Public Notice. The Department is proposing to modify the payment rate for health check services for children ages 0 to 8 years of age from \$55.38 to \$67.38 per visit in the fee-for-service program with an effective date on and after July 1, 2006. For FY 2007, the rate increase is expected to cost \$882,000 in total funds or \$339,000 in state funds. The impact on expenditures should be lower in subsequent years due to the annualized participation of most children in the care management program. Ms. Summers reviewed some public comments received by the Department. Most comments have centered on the CMO issue and what is the Department's position and why isn't the Department instructing the CMOs to pay this rate as well. Ms. Summers gave background on how this particular change in reimbursement came about. She said earlier in the calendar year during the legislative session, the issue came up that Health check providers had not seen an increase for this age group (0-8 years of age) in several years and it was appropriate to increase reimbursement to recognize the cost of providing a health check service.

The Department agreed, supported and monitored this throughout the appropriations process. The House and Senate had funding put into the budget for the Department to make this change, and during the Conference Committee, while the language remained the funding did not. It was important for the Department to do something in the fee for service program. The Department received approval from the Governor's Office of Planning and Budget to be able to do something for the children remaining in the fee for service program. She said since there is no funding to pass through to the CMOs, there is a possibility of jeopardizing the actuarial soundness of the capitation rates that the Department has paid to the CMOs. Ms. Summers read an excerpt from the contracts that the Department has with the CMOs that speak to the issue of passing through rate enhancements to the CMOs.

"The Contractor shall adjust its negotiated rates with Providers to reflect budgetary changes to the Medical Assistance program, as directed by the Commissioner of DCH, to the extent such adjustments can be made within funds appropriated to DCH and available for payment to the Contractor. The Contractor's Provider Contracts shall contain a provision giving notice of this obligation to the Provider such that the Provider's execution of the Contract shall constitute agreement with the Contractor's obligation to DCH."

Ms. Summers stated that since there are no funds for appropriation, the Department is in no position to instruct the CMOs to make changes to their fee structures. She added that to the extent CMOs have linked their reimbursement for these services to what Medicaid pays, because Medicaid will go up July 1 if the public notice is approved, reimbursement through the CMOs will increase based on the contract the CMO has with the provider if that is in fact the contract arrangement. Currently the Department is in the process of developing some wellness programs and incentive programs with the CMOs specifically for this issue for children. The Department's intent is to make a request in the FY 2007 Supplemental Budget to fund such a program. After addressing questions from the Board, Ms. Summers concluded her review. Mr. Holmes opened the meeting for public comment. Rick Ward, Executive Director, Georgia Chapter American Academy of Pediatrics; Dr. Sally Goza, President, Georgia Chapter American Academy of Pediatrics; and Fay Brown, Executive Director, Georgia Academy of Family Physicians, gave comments.

Mr. Holmes called for discussion. Mr. Anderson asked what are the Department's legal options. Dr. Medows said the options are what Ms. Summers outlined in the public notice. She said there are two points: 1. It is untrue that the Department or anyone in the Department recommended that this language be vetoed in the legislation; and 2. The Department has been in support for an increase of Health Check rates for physicians. Dr. Medows said now the Department is attempting to find a way to address the need for a rate increase for children to get full and complete well childcare. The Department has available to it the options presented. DCH has made a commitment to increase Health Check rates for the most vulnerable children—those children in the aged, blind and disabled populations, foster children, and medically fragile children. In addition, because half of the children scheduled to transition in the CMOs will not do so until September, those children's providers will receive the increased rate since the children will still be in fee for service for the next few months. The second step is the Department has contacted the CMO medical directors to address the creation of an incentive program to reward those physicians who provide a complete and comprehensive well child care examination. The money for that budget has to come out of the Amended FY 2007 Budget. The Department has also advised each of the physician groups as well as individuals to look within the contracts they currently have with the CMOs. Both the physician providers as well as the CMOs will be held accountable to follow the letter of the contract. For those physicians who have contracts that already contain the language that say that their rate is based on a percentage of the current effective Medicaid rate, we expect all to comply and honor those contracts. Dr. Medows stated the Department would not issue an unfunded mandate across the board to the CMOs. She said what the department can consider doing going forward is extending this offer to develop that incentive program with physicians as well as the CMO medical directors and consider for the next year legislation regarding additional rate changes.

Dr. English asked the Department to encourage the CMOs to increase the Health Check fees. Mr. Oshnock said the Department had been quite creative in funding the Health Check rate increase and its approach seems reasonable in where the Department is now and the plan going forward in looking at further creative solutions. Mr. Oshnock MADE a MOTION to approve the Health Check Services Public Notice. Mr. Mason SECONDED the MOTION. Mr. Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Nursing Home Services and Health Check Services Public Notice is attached hereto and made an official part of the minutes as Attachment # 7).

Mr. Holmes asked Dr. Meadows for the Commissioner's report. Dr. Medows stated that the Department is now in the seventh day of Georgia Healthy Families. She recognized and thanked Kathy Driggers, Chief of Managed Care and Quality, along with her staff, Chip Cantrell, Adriane Saunders; Dr. Dev Nair, Marvis Butler, Lovey Barnes, and Daryn Golder. She said this team has worked with each of the individual plans, the enrollment broker, the infrastructure IT support through ACS, but more importantly they also worked to ensure that members have been receiving continuous and almost seamless care. She also thanked the hospital, physician and provider groups who have worked with the Department.

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Dr. Medows also introduced Sonny Munter, the new Chief Information Officer, and James Peoples, Health Policy Director. Dr. Medows said the Department Management Team met to redo the Department's Mission Statement and top five priorities for this fiscal year. The Mission statement reads, "The Department of Community Health Champions: Access to affordable quality healthcare in our communities; responsible health planning and use of health care resources; and healthy behaviors and improved health outcomes." The top five priorities for FY 2007 are: 1. Medicaid Transformation; 2. Consumerism; 3. Financial integrity of health care programs; 4. Health improvement and resolving disparities; and 5. Uninsured: community based solutions.

Finally, Dr. Medows extended an invitation to individuals wishing to participate in the Department's Long Term Care Summit that will be held June 30 at the Loudermilk Center in Atlanta.

Mr. Anderson asked the board to consider conducting the July 13 board meeting in Blue Ridge, Georgia and tour the UHS Pruitt facilities.

There being no further business to be brought before the Board at the meeting Mr. Holmes adjourned the meeting at 1:13 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____ DAY OF _____, 2006.

JEFF ANDERSON
Chairman

ATTEST TO:

MARK D. OSHNOCK
Secretary

Official Attachments:

- #1 List of attendees
- #2 Agenda
- #3 Georgia Volunteer Health Care Program Rule 111-5-1
- #4 Certificate of Need Rules 111-2-2-.06 and .10
- #5 Dental Services Public Notice
- #6 Upper Payment Limit Payments Public Notice
- #7 Nursing Home Services and Health Check Services Public Notice